

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01

PRS-01 USIA-06 AF-04 ARA-06 NEA-06 FTC-01 JUSE-00

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P R 202044Z DEC 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 4861

INFO AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 30747

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA GOVERNING BOARD MEETING DEC. 18-19:

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OIL MARKETS

1. THE FOLLOWING ARE HIGHLIGHTS OF GOVERNING BOARD DISCUSSION OF OIL MARKETS ISSUES AT DEC. 18-19 MEETING AND SUMMARY CONCLUSIONS OF GOVERNING BOARD IN THIS AREA. OTHER AGENDA ITEMS REPORTED SEPTELS:

2. OIL MARKETS CHAIRMAN (HOPPER OF CANADA) REPORTED ON DEVELOPMENTS IN STANDING GROUP (USOECN 30423), NOTING THAT HE HAD BEEN SOMEWHAT DISAPPOINTED WITH THE UNFOCUSED AND POORLY ARTICULATED STATEMENTS BY MANY MEMBERS CONCERNING THEIR INABILITY TO OBTAIN SUFFICIENT INFO ON PRICES FROM COMPANIES. MUCH OF INFO WHICH MEMBERS NOW PRESSING AGENCY TO DEVELOP COULD BE OBTAINED DIRECTLY BY GOVERNMENTS THEMSELVES, IF THEY POSE RIGHT QUESTIONS TO COMPANIES AND PERFORM RELATIVELY SIMPLE CALCULATIONS WITH DATA ONCE IT IS OBTAINED. HOPPER SAID MEMBER GOVERNMENTS SHOULD BE MORE PRECISE IN REQUESTING AGENCY SUPPORT IN THIS REGARD, OTHERWISE THE GENERAL INFORMATION SYSTEM UNDER THE AGREEMENT COULD BECOME MUCH TOO ENCYCLOPEDIA AND NOT VERY USEFUL.

3. ASSISTANT SECRETARY ENDERS COMMENTED ON RECENT PRICE HIKES BY OPEC, NOTING THAT DEC. 12 INCREASES COULD AUGMENT OPEC REVENUES BY ABOUT \$4 BILLION ANNUALLY. DESPITE FACT THAT OPEC WAS SAYING THAT INCREASES SHOULD BE TAKEN OUT OF COMPANY PROFITS THIS WAS UNREALISTIC AND WAS NOT GOING TO HAPPEN, AND THE DIRECT EFFECT IS GOING TO BE AN INCREASED COST TO THE CONSUMERS. ENDERS SAID GROUP MUST DECIDE WHAT KIND OF POSITION WE WILL TAKE WITH OUR PUBLICS ON THIS ISSUE. HIS OWN VIEW WAS THAT GROUP SHOULD AGREE ON A VERY STRONG STATEMENT, WITH ANALYTICAL BASE, FOR PUBLIC RELEASE, DEPLORING THE RECENT PRICE HIKES. SWEDISH DEL (SUPPORTED BY OTHERS) SAID HE DID NOT APPROVE OF NEW INCREASE, BUT BELIEVED AGENCY STATEMENT ALONG LINES PROPOSED BY U.S. WOULD ESTABLISH UNFORTUNATE IMAGE OF CONFRONTATION WITH OPEC AT OUTSET OF AGENCY'S EXISTENCE. CHAIRMAN DAVIGNON SUGGESTED THAT A GENERAL STATEMENT ATTACKING THE INCREASES WOULD NOT BE PRODUCTIVE SINCE OPEC WOULD COUNTER WITH STATEMENT OF ITS OWN. WHAT WAS NEEDED WAS CONFIDENTIAL

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TECHNICAL STUDY OF IMPACT OF MOST RECENT PRICE INCREASES AND THEN A STATEMENT, PERHAPS AFTER NEXT GB MEETING, BASED ON THIS ANALYSIS.

4. ENDERS ALSO INFORMED GROUP THAT CLEARANCE HAD BEEN OBTAINED FROM JUSTICE DEPARTMENT FOR OIL COMPANIES TO MEET ON DECEMBER 20 TO DEVELOP GENERAL INFORMATION SYSTEM PROVIDED FOR UNDER IEP. WHILE CLEARANCE WAS FOR

ONLY ONE MEETING WE ARE CONFIDENT THAT PROCEDURE NOW
BEING DEVELOPED IN USG WILL BE ADEQUATE TO ASSURE FULL
IMPLEMENTATION OF IEP.

5. GOVERNING BOARD CONCLUSIONS:

FOLLOWING IS SUMMARY OF GB CONCLUSIONS ON THIS ISSUE:

(A) OIL MARKETS STANDING GROUP CHAIRMAN WILL PREPARE
FOR CONSIDERATION AT NEXT GB MEETING A SUBSTANTIVE
ANALYTICAL STATEMENT ON THE OIL PRICE SITUATION RESULTING
FROM OPEC AND OPEC MEMBER COUNTRY DECISIONS
(B) STANDING GROUP CHAIRMAN WILL ATTEND FIRST
MEETING OF OIL COMPANY WORKING GROUP UNDER EXXON
CHAIRMANSHIP ON 20TH DECEMBER, 1974, AND WILL PRESENT
TO THEM INITIAL VIEWS OF STANDING GROUP ON DATA REQUIRE-
MENTS FOR GENERAL SECTION OF INFORMATION SYSTEM AND ON A

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 30747

FRAMEWORK FOR CONSULTATION WITH OIL COMPANIES
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(C) STANDING GROUP WILL FINALISE TWO REPORTS FOR
SUBMISSION TO THE GOVERNING BOARD AT ITS NEXT MEETING ON
PROPOSED PROCEDURES FOR CONSULTATION WITH OIL COMPANIES
AND ON ITS INITIAL RECOMMENDATIONS CONCERNING DATA
COLLECTION UNDER THE GENERAL SECTION OF THE INFORMATION
SYSTEM

(D) GB STRESSED IMPORTANCE OF DEVELOPMENT OF
FACTUAL APPRAISALS OF COSTS AND PRICES OF OIL SUPPLIES
IMPORTED FROM THE OPEC COUNTRIES, AND URGED PARTICIPA-
TING COUNTRIES TO ATTACH HIGH PRIORITY TO COLLEC-
TION AND SUBMISSION OF DATA ON OIL IMPORT COSTS AND
PRICES UNDER GENERAL SECTION OF INFORMATION SYSTEM

(E) GB STRESSED THAT COLLATION AND ANALYSIS OF DATA
WOULD ENABLE THE STANDING GROUP TO DEVELOP REPORTS ON
IMPACT OF VARIOUS ELEMENTS, SUCH AS CHANGING OPEC HOST

GOVERNMENT TAKE, PARTICIPATION COSTS, OCEAN FREIGHT AND
OIL INDUSTRY PROFITS ON THE DELIVERED PRICE OF IMPORTED
OIL.

(F) GB NOTED THAT RESULTING APPRAISALS WOULD BE OF
GREAT POTENTIAL IMPORTANCE TO PARTICIPATING COUNTRIES
AND TO THE AGENCY FROM A POLICY STANDPOINT, AND THAT IT
IS POSSIBLE TO ENVISAGE THEIR PUBLICATION WITH A VIEW TO
PROVIDING A FACTUAL RESPONSE TO OPEC ARGUMENTS WHICH
SEEK TO MINIMISE THE ROLE OF THAT ORGANISATION'S ACTIONS
IN OIL PRICE INCREASES.

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